

said Mr. Morgan, with narrowing eyes, but a moment later he was denying that he exercised the "vast power" in financial affairs ascribed to him by Mr. Undermyer.

Didn't Bother with Contracts.

The organization of the billion dollar Steel Corporation, Mr. Morgan acknowledged, was effected without written contracts. It was accomplished, while members of the Puff committee and spectators blinked almost incredulously.

The underwriting of millions of securities of the New York, New Haven & Hartford and the New York Central railroads, the reorganization of the Northern Pacific and Southern, the purchase of the Equitable Life stock, the handling of affairs of dozens of banks and other corporations—a great system of gigantic financial operations centering in the banking house of this genius of Wall Street—were related in matter-of-fact manner by the banker, whose mind seemed as alert to-day as ever, although the appearance of creeping physical infirmities was evident even to the casual observer.

"Can't you give the committee a statement of the deposits of your banking firm in New York as of November 1?" asked Mr. Undermyer, in beginning the examination of Mr. Morgan to-day. Mr. Morgan approximated it at about \$100,000,000, and said he would furnish a statement showing the figures.

Mr. Morgan said he and his partners were directors in some of the interstate corporations that "have accounts with J. P. Morgan & Co." His counsel agreed to furnish a list of those directorships.

Mr. Morgan produced copies of the fiscal agreements between J. P. Morgan & Co. and the New York Central and the New York, New Haven & Hartford Railroad companies. He said no other such agreements were made by his house. The firm acted as fiscal agent for other companies "by tacit agreement."

"You are acting for a number of other corporations, are you not, including the United States Steel Corporation?" suggested Mr. Undermyer. "Yes, but that is by a resolution of the board of directors of the Steel Corporation," said Mr. Morgan.

Agreements "By Word of Mouth."

As to other agreements whereby the Morgan house became fiscal agent for corporations, he said they were "by word of mouth or by correspondence."

Mr. Undermyer read part of the New York Central fiscal agreement by which Morgan & Co. were made sole bankers for the railroad. Mr. Morgan said he had been a director of the New York Central about thirty-five years.

Included in the fiscal agreement for the New York Central lines were the Michigan Central, the Lake Shore and the Cleveland, Cincinnati, Chicago & St. Louis railroads.

Mr. Morgan said some issues of New York Central securities had been made in the last ten years through other bankers than his house. "I can't recall any, but I think there were some," he added.

"In the last five years?" "I don't remember any; none that I can recall just now," adding that his firm would furnish information on that point.

Mr. Morgan said the firm had handled "several hundred million" dollars' worth of New York Central securities, and he thought that in the last ten years those securities had all been handled on a commission basis. He thought the New Haven, too, had issued securities not handled by Morgan & Co. in the last ten years.

Mr. Undermyer read from the papers furnished by Mr. Morgan the proposal from the Morgan house accepted by the New Haven. Morgan & Co. proposed, in return for being made sole fiscal agents for the New Haven lines, to loan the New Haven road 90 per cent of the agreed sale price of its securities, at a "reasonable rate of interest," and to give the road the "benefits of counsel and advice."

This proposal was accepted on January 11, 1911, by the Maine Central; on December 28, 1910, by the Boston & Maine; and on December 19, 1910, by the New York, New Haven & Hartford, the acceptance in each case being signed by Charles S. Mellen.

Can't Remember All Corporations.

"Can you give us from memory a list of other interstate corporations for which you are fiscal agents?" asked Mr. Undermyer.

Mr. Morgan could remember no others except the United States Steel Corporation, and could not estimate the number. He said his firm had supplied the committee with data on that point. Mr. Undermyer replied that such data included only those corporations with which Morgan & Co. had formal agreements. Mr. Morgan said his firm acted for the American Telephone & Telegraph Company, the Northern Pacific and the Southern Railroad, although they had no agreements with them.

Mr. Undermyer then took up the Northern Pacific reorganization, and asked, "Was that property reorganized under a voting trust?"

Mr. Morgan said it was and that he was a member of the voting trust. "In that connection," he added, "I'd like to

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present these reports of the voting trustees for the Northern Pacific and the Southern Railway."

Mr. Undermyer looked at the reports Mr. Morgan presented and asked if they were not "arguments by the voting trustees in behalf of their good management." Mr. Morgan replied they were the reports of the trustees, and Mr. Lindabury interposed to say they were "accounts of the stewardship of the voting trustees."

"Don't you think that interstate corporations should be entirely free to sell their securities in the open market and not be tied up to one firm, no matter how just its methods?" asked Mr. Undermyer.

"No, not necessarily," replied Mr. Morgan. Taking up the Southern Railway situation, he said he saw no objection to directors appointed by himself as a member of a voting trust entering into a fiscal agreement with his own firm.

Opposes Open Competition.

Mr. Undermyer asked if Mr. Morgan did not think securities of interstate corporations should be sold in open competition as were United States bonds.

"I do not," said Mr. Morgan, who added that there was plenty of competition for railroad securities.

Mr. Undermyer asked where there could be competition between the New Haven road and Morgan & Co. in the sale of New Haven securities.

"They may want a great deal more for them than we think they are worth," said Mr. Morgan. "Do you think it would be better for the railroad to be able to offer its securities to another banking house?"

"No, I do not," returned Mr. Morgan. He added that the position of the banking house often had much to do with the stability and success of corporations.

"There's another point about it," he went on. "You must remember that all securities sold and issued are not always good, and when there is a responsible fiscal agent there is moral strength behind them."

"Will you name any instance of a railroad bond proving bad where your firm has had to pay the loss?" asked Mr. Undermyer.

"I can't remember any case, but I know there have been several," said Mr. Morgan. "All of that comes out of the security holder?"

"No, out of the property." "But that eventually comes out of the security holders," suggested the attorney. "Look over the whole history of the railroad and see if you can find one case where the banker has had to stand the loss."

"Well, I've had a good deal of railroad," interrupted Mr. Morgan with a smile. "Yes, that's why I'm asking you about it," rejoined Mr. Undermyer.

Steel Corporation's Directors.

Mr. Morgan said he could recall no specific case and Mr. Undermyer returned to the fiscal arrangement with the United States Steel Corporation.

"Didn't you name the entire board of directors of the United States Steel Corporation?" asked Mr. Undermyer.

"I think I passed on it." "But didn't you hand out a slip containing the names?"

"If passing on the board is naming it, I am quite willing to assume all the responsibility," said Mr. Morgan. "But didn't you say who should go on and who stay off?" persisted the lawyer.

"I possibly did the latter," replied the financier, and a laugh came from the spectators.

Mr. Morgan said he had not passed on all who went on the board of the Steel Corporation, but no members had ever gone on the board against his protest.

Mr. Undermyer asked if Mr. Morgan had not named Judge E. H. Gary for chairman of the Steel Corporation finance committee when George W. Perkins resigned.

"I think so. It's very probable. I don't remember now," was the answer. "Who fixed the prices at which the various subsidiary companies should go into the organization," asked Mr. Undermyer.

"I approved the price," said Mr. Morgan. "But it was left to you to determine the price at which they should come in."

"Yes, but I wasn't always able to get them at the price we wanted."

"Ex-Officio" Selection.

"Which committee of the Steel Corporation selects the banks where its funds shall be deposited?"

"The finance committee." "Who selected J. P. Morgan & Co.?"

"Why, it was sort of ex-officio. J. P. Morgan & Co. then had the whole company and its funds naturally came to us." "You thought it would be a profitable business?" suggested Mr. Undermyer.

"We didn't know then whether it would be profitable or not," said Mr. Morgan. "It didn't look much like it when it went down to \$8 a share."

Mr. Morgan added he had bought all the Steel stock he could get hold of, that he had never lost confidence in the Steel Corporation, and that he had never advised any one to sell. He knew of no pools or syndicates formed to deal in Steel stock.

"I have no doubt that there have been pools formed without our knowledge," he added. "But I know of none."

Syndicates and Stock Issues. Mr. Undermyer took up the sale of large issues of stock. Mr. Morgan said that in some instances stock issues were underwritten by syndicates formed by his firm. He explained that the personnel of the syndicates was generally different.

Mr. Undermyer wanted to know if there existed a list of names from which those syndicates were made up.

"It depends sometimes on the nature of the securities," said Mr. Morgan. "The class we would offer one kind of securities to we would not offer another."

"Those syndicates have been generally profitable to banks and those who participated, have they not?" asked Mr. Undermyer.

"Yes, generally. If they had not the members would not go into them."

Mr. Morgan said many banks and trust companies in New York were allowed to participate in the syndicates.

Mr. Undermyer declared that Lee, Higginson & Co., of Boston, the First National Bank of Chicago and other institutions often wanted to participate in these syndicates.

"They don't work with us, but they take or refuse an offer we make," said Mr. Morgan.

"They don't often refuse, do they?" "Oh, yes, often."

"Then you offer them another opportunity?" "Yes, sir."

Banks in Underwritings. Mr. Undermyer asked if there were not many banks in New York not allowed to participate in the Morgan underwritings.

"I don't want to participate," replied the witness.

"Can you tell us of the amount of securities marketed by your firm year by year?"

Mr. Morgan could not say. He did not believe it would amount to \$100,000,000 a year. He agreed to furnish a statement to show the amount. "I think it's generally overestimated," he remarked.

Mr. Morgan took up the relations of the Morgan firm and the First National Bank, which he referred to as "Baker's bank." He said he, personally, had been close to George F. Baker "since 1881."

He said the two firms worked together in a great many bond and stock issues. Mr. Morgan could not remember when the First Securities Company was organized, or whether its board of directors was identical with the board of directors of the First National Bank.

Mr. Morgan said his son, not himself.

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such as Mr. Morgan, would not have enormous control if he had voting trusts in all the railroads, banks or industrial corporations.

"But that would be impossible," said Mr. Morgan.

Mr. Undermyer insisted that the system brought about great concentration and control. "Do you think they ought to have the same representation in competing concerns?" he asked. "Let us take a concrete example. Members of your firm are directors in the Bankers Trust, the Guaranty Trust, First National Bank, the Bank of Commerce, Chase National Bank, the National City Bank, Liberty National Bank, the Chemical National Bank, the Astor Trust and other companies."

Mr. Morgan explained that he did not believe from one to three men on each board of directors could exercise control. "You take three men and put them in all those banks. In one bank they are three out of fifteen, in another three out of twelve, in another three out of ten," he said.

"But through a voting trust they might have appointed all the board of directors," suggested Mr. Undermyer. "They could not control the bank so long as they were in the minority," said Mr. Morgan. "I don't think I could carry any proposition through any board of directors against the wishes of the stockholders."

Prefers Combination to Competition.

"You are opposed to competition?" "No; but I would rather have combination than competition. I like a little competition, but I like combination better. I'd like to say something right here that I may not have a chance to say again. Without control you can't do a thing. Control is the important thing. Now, you speak of a money trust; no one man can get control of all the money."

"You mean, no one man could monopolize money?" "Yes, that's it."

"But when a man has a vast power, such as you have—do you admit you have, don't you?" asked Mr. Undermyer.

"No," answered Mr. Morgan. "Don't you feel it?" asked the lawyer. "No, I don't," replied the financier.

"No man, you think, could keep great control of money?" asked Mr. Undermyer. "You believe that when he abuses his power he loses it?"

"That's right," said Mr. Morgan. "The question of control is personal as to money and credit. All the money in Christendom and all the banks in Christendom could not control money. There could be no money trust."

Mr. Undermyer asked if man had not monopolized railroads and industry and abused their powers.

"I am not discussing the question of railroads or merchandise. I'm talking about money and credit," said Mr. Morgan, adding that a man might get control of the former, but could not get the latter.

Mr. Undermyer asked whether Mr. Morgan thought competition among banks, or concentration, would be better.

"I'd rather have competition," replied Mr. Morgan when pressed for an answer.

Doesn't Run His Firm.

"The banker said he thought several men could be directors in different banks and competition still be maintained between the banks. He added that he did not believe one man should run a great enterprise."

"Don't you run your firm?" "No, I do not."

Mr. Morgan said he did not favor one-man control of great enterprises of any kind, even railroads.

"You believe in concentrated power?" asked Mr. Undermyer.

"Well, that is a question of personal power, of personality," replied Mr. Morgan.

Mr. Undermyer asked about the possibilities of competition between the Guaranty Trust Company, the Bankers Trust Company and the Bank of Commerce. Mr. Morgan said he knew nothing of the details of the management of those concerns. He said the Bankers and Guaranty companies had taken in seven other companies and really represented nine old trust companies.

"That is an example of combination and concentration," said Mr. Undermyer. "How far do you think they ought to be allowed to go?"

"I think they have got enough," said Mr. Morgan.

"You don't think they ought to absorb any more?"

"No, they may be forced to take in some more companies."

"Forced, for the good of the companies absorbed?" asked Mr. Undermyer.

"Yes, forced to absorb them to protect them."

Cumulative Voting. Mr. Undermyer read into the record laws covering the voting powers of stockholders in foreign banks, and then took up the matter of cumulative voting.

"You know that there is cumulative voting in the Pennsylvania Railroad. Under that plan one-seventh of the stockholders can get together and elect a director, two-sevenths can elect two directors. Thus they can secure a minority representation. Now, most directorates are controlled by bare majorities," he said.

"Yes," agreed Mr. Morgan. "Don't you think that the minority should be represented in a directorate?"

"I think that's a very good plan," said Mr. Morgan, who added he would favor cumulative voting if it would secure that result.

Mr. Morgan observed that the figures showing stock voting methods in foreign banks, as introduced by Mr. Undermyer, seemed to indicate control by what resembled "voting trusts." "They could simply put their stock under different names and evade that law. I don't want to suggest that, but it could be done," he said.

"But they don't allow that sort of hocus-pocus over there," remarked Mr. Undermyer.

"I think the records will show differently," the banker returned. "There is no place where mergers and consolidations have taken place to the extent they have in Great Britain."

Mr. Undermyer declared that under the English system there were many groups of bankers entirely independent of each other, and that persons desiring to finance a proposition could go to any one of them.

No Great Bankers' Combination. Mr. Morgan said he did not believe there was any great combination among bankers in the United States.

"Do you know of any railroad financed independently in recent years?" asked Mr. Undermyer.

Mr. Morgan said he did not know of any, but did not think, however, that either the domination of railroads by bankers or the unity of interest of bankers had anything to do with it.

"Don't you and other bankers control the Reading road?" asked Mr. Undermyer.

"No, sir; if we do I don't know it," said Mr. Morgan.

"You don't think you have any power in any line of industry in this country?"

"No, I do not," said Mr. Morgan. "Your power in any direction is entirely unconscious to you?"

"Yes, sir."

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"Well, let's see about this concentration situation," said Mr. Undermyer. "You took over the Baldwin Locomotive Works?"

"Yes. We handle their securities." "Prior to that time the American Locomotive Company had been formed?"

"Yes."

"Now, assuming that you and Mr. Baker control the great railroad systems of this country and, between you, you are interested in the American Locomotive Company; what chance do you think a new locomotive company would have to succeed?"

"I think it would have a good chance. We could not buy our locomotives all from one company."

"Do you think it is a healthy condition for the interests in the supply companies to be identical with the interests of the railroads that buy supplies?"

Mr. Morgan said he did.

Brings in Coal Road Case. Mr. Undermyer asked Mr. Morgan if he knew anything about the organization of the New York, Wyoming & Western Railroad to open up new, independent coal fields. This railroad figured in the recent "hard coal" cases before the Supreme Court, where it was held that the Temple Coal and Iron Company had strangled the new road. Counsel asked if Mr. Morgan knew Robert Bacon, a former member of his firm, had gone into the coal field and bought up the collieries, so that the new road was not built.

Mr. Morgan said he knew nothing about it.

The consolidation of the Lake Shore and Michigan Central railroads into the New York Central lines was brought up by Mr. Undermyer.

"You believed in buying up the competing lines?"

"Why, sure."

Mr. Undermyer spoke of the consolidation of the Northern Pacific and the Great Northern railroads in the Northern Securities merger, and asked: "What was your idea as to the reason for destroying competition there?"

"I don't know," said Mr. Morgan. "I think there began a series of questions about the elimination of competition in the organizations of the United States Steel Corporation, but interrupted himself."

"I will not go into that," he said. "That is now in litigation, and I will not question you about it."

Purchase of Equitable Life. Mr. Morgan testified that he bought control of the Equitable Life Assurance Society from "Mr. Ryan and Mr. Harri-

man." He secured, he said, about \$31,000 worth of stock, for which he paid about \$2,000,000.

"The company pays 7 per cent dividends?"

"Yes, that is \$3.70 on your stock?"

"Yes."

"About one-eighth or one-ninth of 1 per cent on the investment?"

"Yes."

Mr. Undermyer wanted to know if James Stillman and George F. Baker

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